Proxy P Back at It Again

Stockholm (HedgeNordic) – Last year’s second best-performing hedge fund in the Nordics, **Proxy Renewable Long/Short Energy**, is at it again. The energy transition-focused long/short equity fund is up ten percent year-to-date after gaining 7.5 percent last month. “The month of February developed into a schoolbook example of how we aim to deliver risk-adjusted returns over time,” Dan Lindström *(pictured)*, the CEO of Proxy P Management, tells HedgeNordic.

“Our solid performance in February was a combination of strong discretionary stock picking, successfully identifying the most attractive companies in the field of energy transition and good execution,” says Lindström. The long-biased long/short equity fund managed by a team of three entered the month of February with a net exposure of 90 percent, which decreased to about 70 percent during the month as downside protection was put in place and bottomed out at 50 percent.

“We added a layer of protection to our portfolio during the month by purchasing outright put options on the back of deteriorating risk-reward outlook due to higher valuation levels and a growing set of risks,” explains Lindström. “We would have had a strong result in February even without the protection put in place, although the options trade contributed to returns last month,” he adds.

While the spread of the coronavirus had investors worried, Lindström argues that “the decision to decrease our net market exposure had nothing to do with our predictions of the implications of the virus.” The energy specialists at Proxy P have no expertise and do not attempt to predict the impact of the coronavirus on economic activity and financial markets, explains Lindström. “We did, however, notice deterioration in the risk-return outlook, which prompted us to become more defensive.”

Proxy Renewable Long/Short Energy seeks to identify long and short investment opportunities across the renewable and energy technology space, which was one of the best performing corners of equity markets last month. “Compared to a generic index, the renewable energy sector was down by about one percent in February,” says Lindström. “The strong performance and trend of this sector is something we expect to continue over the long term,” he adds. In summary, the combination of prudent stock picking, additional portfolio protection and good execution helped the fund not only avoid drawdown but also outperform in the turbulent markets of February.